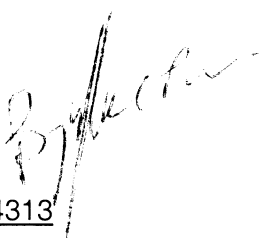


DATE: August 17, 2005
TO: Municipal Clerk
FROM: Byron E. Johnson, C.P.M.
Director of Purchasing X 4313
THRU: Rachel Johnson
Clerk Typist II X 4162



Please place the following item on the **REGULAR** agenda for the Council Meeting of **AUGUST 30, 2005**.

Item should read as follows:

Public Hearing to make a determination by City Council that Spartan Construction Services Inc., is not a responsible bidder on The Ladrillo Street-Street & Drainage Improvements Bid No. 2005-205.

On Wednesday, July 13, 2005 bids were opened for Ladrillo Street-Street & Drainage Improvements, solicitation number 2005-205. Upon completion and review of the official bid tabulation for the subject project, it was determined that the apparent low bidder was Spartan Construction Services Inc.

Spartan Construction presented insufficient information in regards to experience, expertise, and financial capability. It is the opinion of City Staff and the City's design consultant, on The Ladrillo Street-Street & Drainage Improvements Project, that Spartan Construction Services Inc., is not a responsible bidder.

After closing of the hearing staff recommends passage of a motion stating that:

Spartan Construction Services is deemed a non-responsible bidder for bid number 2005-205.

Contact person: Byron Johnson, Director, Purchasing (915) 541-4313

AGENDA FOR: **AUGUST 30, 2005**

CITY OF EL PASO, TEXAS
DEPARTMENT HEAD'S SUMMARY REQUEST FOR COUNCIL ACTION (RCA)

DEPARTMENT: Purchasing

AGENDA DATE: 8-30-05

PROJECT NAME/SOLICITATION NO. Ladrillo Street-Street & Drainage Improvements / 2005-205

CONTACT PERSON/PHONE: Byron Johnson, Director of Purchasing, Ext. 4313

DISTRICT (S) AFFECTED: 8

SUBJECT:

Public Hearing to make a determination by City Council that Spartan Construction Services Inc., is not a responsible bidder on Ladrillo Street- Street & Drainage Improvements Bid No. 2005-205.

BACKGROUND / DISCUSSION:

On Wednesday July 13, 2005 bids were opened for Ladrillo Street- Street & Drainage Improvements, solicitation number 2005-205.

Upon completion and review of the official bid tabulation for the subject project, it was determined that the apparent low bidder was Spartan Construction Services Inc.

Spartan Construction presented insufficient information in regards to experience, expertise, and financial capability. It is the opinion of City Staff and the City's design consultant, on The Ladrillo Street-Street & Drainage Improvements Project, that Spartan Construction Services Inc., is not a responsible bidder.

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After closing of the hearing staff recommends passage of a motion stating that:
Spartan Construction Services is deemed a non-responsible bidder for bid number 2005-205.

PRIOR COUNCIL ACTION: N/A

AMOUNT AND SOURCE OF FUNDING: N/A

BOARD / COMMISSION ACTION: N/A

***** REQUIRED AUTHORIZATION *****

LEGAL: (if required) _____ **FINANCE:** (if required) _____

OTHER:

(Example: if RCA is initiated by Purchasing, client department should sign also)

Information copy to appropriate Deputy City Manager

APPROVED FOR AGENDA:

CITY MANAGER: _____

DATE: _____

DATE: August 17, 2005
TO: Municipal Clerk
FROM: Byron E. Johnson, C.P.M.
Director of Purchasing X 4313
THRU: Rachel Johnson
Clerk Typist II X 4162



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Spartan Construction Services is deemed a non-responsible bidder for bid number 2005-205.

Contact person: Byron Johnson, Director, Purchasing (915) 541-4313

AGENDA FOR: **AUGUST 30, 2005**

JOHN F. COOK
MAYOR

JOYCE WILSON
CITY MANAGER



**PURCHASING DEPARTMENT
CONSTRUCTION BIDDING OFFICE**
(915) 541-4263 Fax (915) 541-4016

**CERTIFIED MAIL / RETURN RECEIPT REQUESTED
VIA FACSIMILE (915) 585-9793**

CITY COUNCIL

ANN MORGAN LILLY
DISTRICT NO. 1

SUSIE BYRD
DISTRICT NO. 2

JOSE ALEXANDRO LOZANO
DISTRICT NO. 3

MELINA CASTRO
DISTRICT NO. 4

PRESI ORTEGA, JR.
DISTRICT NO. 5

EDDIE HOLGUIN, JR.
DISTRICT NO. 6

STEVE ORTEGA
DISTRICT NO. 7

BETO O'ROURKE
DISTRICT NO. 8

August 15, 2005

Mr. Paul H. Flynn, President
Spartan Construction Services, Inc.
279 Shadow Mountain #212
El Paso, Texas 79912

**RE: Ladrillo Street and Drainage Improvements
Solicitation No. 2005 - 205**

Dear Mr. Flynn:

The City has received supplemental information, submitted by Spartan Construction Services -via fax- for the above referenced project. The information provided appears to apply to firms other than Spartan Construction. Examples of work performed by Southwest Growth Corporation were provided, but no information on why that information was provided in reference to our request for qualifications for Spartan Construction Services, or if there is a contractual or other business relationship between Spartan and Southwest Growth.

Spartan Construction Services has failed to provide the requested information pertaining to its ability to undertake a project the size and scope of Ladrillo Street and Drainage Improvements. Financial Information still has not been provided per the schedule you submitted that indicated 2004 financial information would be received, by the City of El Paso, 3-5 days after the original due date, or Friday August 12, 2005.

If you have any questions you may contact me at 541-4113.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael W. Plum".

Michael W. Plum, Administrative Analyst
Purchasing Department-Construction Bidding Office

cc: Theresa Cullen-Garney, Deputy City Attorney
Byron Johnson, Director of Purchasing
Kareem Dallo, Construction Engineering Div. Mgr.
Daryl Cole, Director of Streets

JOHN F. COOK
MAYOR



JOYCE WILSON
CITY MANAGER

CITY COUNCIL

ANN MORGAN LILLY
DISTRICT NO. 1

SUSIE BYRD
DISTRICT NO. 2

JOSE ALEXANDRO LOZANO
DISTRICT NO. 3

MELINA CASTRO
DISTRICT NO. 4

PRESI ORTEGA, JR.
DISTRICT NO. 5

EDDIE HOLGUIN, JR.
DISTRICT NO. 6

STEVE ORTEGA
DISTRICT NO. 7

BETO O'ROURKE
DISTRICT NO. 8

July 19, 2005

Paul H. Flynn, President
Spartan Construction Services, Inc.
279 Shadow Mountain, Suite 212
El Paso, TX 79912

RE: Ladrillo Street – Street & Drainage Improvements, Bid No. 2005-205

Dear Mr. Flynn:

Spartan Construction Services, Inc. is the apparent low bidder on the above referenced project. To assist us in the evaluation of your bid and company, please provide:

- Qualification and Financial Disclosure Statement, Pages I-H-1 through I-H-4 of the bid document (copy enclosed).
- Preliminary Schedule of Values

Additionally, please review your bid to ensure that you have included all components of the project as called for within the bid plans and specifications. If you feel comfortable that your bid is complete, please provide written assurance on company letterhead so stating.

Please provide this information to my attention at your earliest convenience, but no later than July 26, 2005. Should you have any questions, call me at (915) 541-4521.

Sincerely,


Roberto Bustamante
Contract Compliance Specialist

Enclosure

cc: Javier Reyes, Program Manager
Lorenzo Rodriguez, Project Coordinator
Contract/Correspondence Files

Spartan Construction Services, Inc.

P.O. Box 12627 • El Paso, Texas 79913 • (915) 585-0085 • (915) 585-9793

July 21, 2005

City of El Paso
Attn: Roberto Bustamante
2 Civic Center Plaza
7th Floor-Purch. Dept.
El Paso TX, 79901

Fax: 541-4016

RE: Ladrillo Street & Drainage Improvements Bid #2005-205

Dear Mr. Bustamante:

We are in receipt of your letter dated July 19th, 2005 regarding the above-mentioned project. We would like to acknowledge that all the bid items are bid correctly and are per plans and specifications.

If you have any questions or concerns concerning this matter, please call our office at 915-585-0085.

Sincerely,



Steve Allen
Project Manager

Spartan Construction Services, Inc.

P.O. Box 12627 • El Paso, Texas 79913 • (915) 585-0085 • (915) 585-9793

July 21, 2005

City of El Paso
Attn: Roberto Bustamante
2 Civic Center Plaza
7th Floor-Purch. Dept.
El Paso TX, 79901

Fax: 541-4016

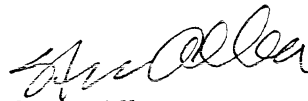
RE: Ladrillo Street & Drainage Improvements Bid #2005-205

Dear Mr. Bustamante:

We are in receipt of your letter dated July 19th, 2005 regarding the above-mentioned project. You requested a preliminary schedule of values, but the bid items ARE the schedule of values.

If you have any questions or concerns concerning this matter, please call our office at 915-585-0085.

Sincerely,



Steve Allen
Project Manager

Spartan Construction Services, Inc.

P.O. Box 12627 • El Paso, Texas 79913 • (915) 585-0085 • (915) 585-9793 Fax

21-Jul-05

City of El Paso
Purchasing Department
Contract Compliance Administration
Attn: Roberto Bustamante, Contract Compliance Specialist
#2 Civic Center Plaza, 7th Floor
El Paso, Texas 79901-1196

Re: Ladrillo Street & Drainage Improvements, Bid No. 2005-205

Dear Mr. Bustamante,

Enclosed herewith are the following original documents:

1 Spartan Construction Services, Inc. Financial Statements
for the fiscal Year ended December 31, 2003.

Note: these 12/31/03 statements have been prepared by
Jones & Company, Certified Public Accountants after a
thorough review of our internally prepared statements. (15 pages).

2 Spartan Construction Services, Inc. Financial Statement
for the fiscal Year ended December 31, 2004.

Note: this 12/31/04 statements has been prepared by
Spartan Construction Services, Inc. We are currently awaiting
the finalization of the review of our 12/31/04 financial statements by Jones & Company,
which we anticipate will be completed with the next four weeks.

In the interim period, I am providing you with our internally prepared
income statement summary.(1 page).

Thank You,
Spartan Construction Services, Inc.



Paul H. Flynn
President

<u>SPARTAN CONSTRUCTION SERVICES, INC.</u>			
<u>P. O. BOX 12627</u>			
<u>EL PASO, TEXAS 79913</u>			
<u>INCOME STATEMENT FOR TWELVE MONTH PERIOD ENDING:</u>			
<u>31-Dec-04</u>			
			<u>\$ AMOUNT</u>
PROJECT REVENUES		<u>1,118,346.13</u>	
GROSS OPERATING REVENUES		<u>1,118,346.13</u>	
<u>DIRECT OPERATING COSTS</u>			
DIRECT LABOR		125,990.59	
CONSTRUCTION MATERIALS		150,599.80	
SUBCONTRACT COSTS		18,630.93	
GENERAL CONDITIONS		5,779.66	
EQUIPMENT COSTS		<u>386,495.61</u>	(a)
TOTAL DIRECT OPERATING COSTS		<u>687,496.59</u>	
GROSS OPERATING MARGIN		<u>430,849.54</u>	
INDIRECT OPERATING COSTS & EXPENSES		<u>158,308.65</u>	
SCS OWNED EQUIPMENT USAGE CREDITS		<u>(411,137.51)</u>	(a)
GENERAL & ADMINISTRATIVE EXPENSES		<u>285,607.89</u>	
EARNINGS BEFORE TAXES		<u>398,070.51</u>	



Spartan Construction Services, Inc.

P.O. Box 12627 • El Paso, Texas 79913 • (915) 585-0085 • (915) 585-9793 Fax

August 5, 2005

City of El Paso
Contract Compliance
Attn: Michael Plum
2 Civic Center Plaza
El Paso TX, 79901

Fax: 541-4016

**RE: Indian Place Improvements Solicitation No. 2005-207
Ladrillo Street & Drainage Improvements Solicitation No. 2005-205
Bowen Street & Drainage Improvements Solicitation No. 2005-234**

Dear Mr. Plum:

This is a follow up to your letter dated 07/29/05 regarding the additional Financial Statements and related information for the above-mentioned projects. Please see below for the answers to your questions 1 through 4 as requested.

- 1) Spartan's Financial Statements for 2004 should be available from Jones & Company (CPA) within the next 3-5 days. This information will be forwarded to you as soon as it becomes available. (See attached letter from Jones & Company.)
- 2) Mr. George Avara, Vice President of Business Banking at the State National Bank has agreed to provide SCS with adequate Financing support to completely satisfy the needs of the four recently bid projects including Sunland Park Road Improvements, Bowen Street & Drainage Improvements, Indian Place Street & Drainage Improvements, and Ladrillo Street & Drainage Improvements and all future work. In addition, SCS has secured a \$150,000-200,000 to assist in interim financing.
- 3) References:

Roe Engineering	Hector Porras	533-1418
Quantum Engineering	Bobby Gonzalez	532-7272
Gilbane	David Kessinger	727-6454

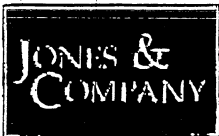
See attached pages listing similar projects and values. The subcontractors requiring coordination will be Green Concrete Construction and Pacific Electric. In addition, we are submitting available equipment and Superintendents for use on these projects.

- 4) See attached pages I-F-1 through 9 and I-F-a2 on the Prime and Subcontractors as requested.
- 5) SCS is submitting this same information for the three (3) above-mentioned projects.

If you should have any further questions regarding the above, please advise.

Sincerely,

Paul H. Flynn
President



CERTIFIED PUBLIC
ACCOUNTANTS

August 5, 2005

To Whom It May Concern:

We are in the process of preparing the financial statements and tax return for Spartan Construction Services, Inc., for calendar year 2004. The client provided information on August 2, 2005 and we anticipate a quick turnaround.

If you have any questions, please do not hesitate to contact us.

Very truly yours,

JONES & COMPANY
Certified Public Accountant

A handwritten signature in cursive script, appearing to read "Steele Jones".

Steele Jones, CPA, CVA

TERRACE GARDENS OFFICE PARK
600 SUNLAND PARK DRIVE
BUILDING THREE, SUITE 400
EL PASO, TEXAS 79912

(915) 585-1739
FAX (915) 587-6199
www.jonesandco.net

Spartan Construction Services, Inc.

P.O. Box 12627 • El Paso, Texas 79913 • (915) 585-0065 • (915) 585-9793 Fax

August 5, 2005

Additional Information on Spartan Construction Services, Inc., as discussed with Michael Plum today:

Equipment Available

3 Loaders
3 Motorgraders
4 Backhoes
5 Rollers
5 Water Trucks
1 Asphalt Paver
2 Excavators

Superintendents Available for These and Future Projects

Jaime Aguilar
Max Corwin
Pedro Hernandez
Jesus Cancino
Fernando Rico
Ernie Uzzell
Manuel Quezada

SPARTAN CONSTRUCTION SERVICES, INC.
279 Shadow Mountain Ste. #212
EL PASO, TEXAS 79912
(915) 585-0085 Office (915) 585-9793 Fax

Page 1 of 2

PROJECTS COMPLETED

PROJECT: Hoy Fox Automotive Shop Parking Lot
OWNER: Hoy Fox
CONTRACTOR: Corwin Consstruction
ARCHITECT: Mora Architect
CONTRACT AMOUNT: \$126,000.00
% COMPLETED TO DATE: 100%
DATE OF COMPLETION: December 2004
POINT OF CONTACT: Max Corwin 915-526-7500

PROJECT: El Dorado High School
OWNER: Socorro Independent School District
CONTRACTOR: Gilbane BCM International
ARCHITECT: PSRBB Architects
CONTRACT AMOUNT: \$1.3 Million
% COMPLETED TO DATE: 100%
DATE OF COMPLETION: September, 2003
POINT OF CONTACT: David Kessinger 915-727-6454

PROJECT: Loma Verde Elementary School - A New Parking Lot Addition
OWNER: Socorro Independent School District
CONTRACTOR: Arrow Building Corporation
ARCHITECT: ARTchitecture
CONTRACT AMOUNT: \$122,000.00
% COMPLETED TO DATE: 100%
DATE OF COMPLETION: December 2004
POINT OF CONTACT: David Diaz 915-778-1147

PROJECT: Agua Dulce Subdivision & Apartments
OWNER: Kasco Ventures
CONTRACTOR: ~~Kasco Ventures~~
ARCHITECT: Kasco Ventures
CONTRACT AMOUNT: \$425,000.00
% COMPLETED TO DATE: 100%
DATE OF COMPLETION: June 2003
POINT OF CONTACT: Fred Kastrin 915-491-1385

PROJECT: Borderland Phase 2
OWNER: City of El Paso
CONTRACTOR: Southwest Growth Corporation
ARCHITECT: Quantum Engineering
CONTRACT AMOUNT: \$400,000
% COMPLETED TO DATE: 100%
DATE OF COMPLETION: September 2004
POINT OF CONTACT: Bobby Gonzalez 532-7272

SPARTAN CONSTRUCTION SERVICES, INC.
279 Shadow Mountain Ste. #212
EL PASO, TEXAS 79912
(915) 585-0085 Office (915) 585-9793 Fax

Page 2 of 2

PROJECTS COMPLETED

PROJECT: Nichols Street & Drainage Improvements
OWNER: City of El Paso
CONTRACTOR: Southwest Growth Corporation
ARCHITECT: Huitt-Zollars
CONTRACT AMOUNT: \$456,000
% COMPLETED TO DATE: 100%
DATE OF COMPLETION: September 2003
POINT OF CONTACT: Robert Concha 587-4339

PROJECT: Frutas Ave. Street Improvements
OWNER: City of El Paso
CONTRACTOR: Southwest Growth Corporation
ARCHITECT: Huitt-Zollars
CONTRACT AMOUNT: \$1,020,000.00
% COMPLETED TO DATE: 100%
DATE OF COMPLETION: May, 2003
POINT OF CONTACT: Robert Concha 587-4339

SPARTAN CONSTRUCTION SERVICES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2003



CERTIFIED PUBLIC
ACCOUNTANTS

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Statement of Stockholders' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
Supplementary Information	
Schedule 1 - Contract Revenues	12
Schedule 2 - Completed Contracts	13
Schedule 3 - Contracts in Progress	14
Schedule 4 - General and Administrative Expenses	15



CERTIFIED PUBLIC
ACCOUNTANTS

To the Stockholders
Spartan Construction Services, Inc.
El Paso, Texas

We have reviewed the accompanying balance sheet of Spartan Construction Services, Inc., as of December 31, 2003, and the related statements of income, stockholders' equity, and cash flows, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information contained in these financial statements is the representation of the management of Spartan Construction Services, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The data presented in Schedules 1 through 4 accompanying the financial statements is presented only for supplementary analysis purposes and has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements. We did not become aware of any material modifications that should be made to such data.

Jones & Company

February 15, 2005

TERRACE GARDENS OFFICE PARK
600 SUNLAND PARK DRIVE
BUILDING THREE, SUITE 400
EL PASO, TEXAS 79912

(915) 585-1739
FAX (915) 587-6199
www.jonesandco.net

ARTAN CONSTRUCTION SERVICES, INC.

BALANCE SHEET

DECEMBER 31, 2003

ASSETS

CURRENT

Accounts receivable		
Contracts	\$ 339,338	
Retainage	<u>27,756</u>	\$ 367,094
Due from related party		2,382
Other receivables		35,000
Deposits		<u>920</u>
TOTAL CURRENT ASSETS		405,396

PROPERTY AND EQUIPMENT

Construction equipment	386,936	
Vehicles	14,630	
Office equipment	13,561	
Equipment - other	<u>30,000</u>	
	445,127	
Less accumulated depreciation	<u>157,600</u>	
NET PROPERTY AND EQUIPMENT		287,527

OTHER ASSETS

Cash, restricted	50,589	
Deferred tax asset	<u>5,613</u>	
TOTAL OTHER ASSETS		<u>56,202</u>
TOTAL ASSETS		<u>\$ 749,125</u>

See accompanying notes and accountants' report.

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Bank overdraft	\$	23,799
Note payable		99,898
Current portion of long-term debt		124,546
Accounts payable - trade		28,986
Accrued expenses		291,959
Billings in excess of costs and estimated earnings on uncompleted contracts		1,312
Deferred income taxes, current		<u>1,501</u>

TOTAL CURRENT LIABILITIES

572,001

LONG-TERM DEBT, less current portion

120,990

DEFERRED INCOME TAX LIABILITY, non-current

19,495

TOTAL LIABILITIES

712,486

STOCKHOLDERS' EQUITY

Common stock, \$1 par value, 1,000,000 shares authorized,
1,000 issued and outstanding

\$ 1,000

Contributed capital

47,407

Retained earnings (deficit)

(11,768)

TOTAL STOCKHOLDERS' EQUITY

36,639

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$ 749,125

SPARTAN CONSTRUCTION SERVICES, INC.

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2003

CONTRACT REVENUES		\$	2,559,210
COST OF REVENUES			<u>2,271,616</u>
GROSS PROFIT			287,594
GENERAL AND ADMINISTRATIVE EXPENSES			<u>274,130</u>
NET INCOME FROM OPERATIONS			13,464
OTHER INCOME (EXPENSE)			
Administrative fee	\$	233	
Interest income		450	
Non-job income		<u>8,381</u>	
TOTAL OTHER INCOME (EXPENSE)			<u>9,064</u>
NET INCOME BEFORE PROVISION FOR INCOME TAXES			22,528
PROVISION FOR INCOME TAXES			<u>-</u>
NET INCOME		\$	<u><u>22,528</u></u>

See accompanying notes and accountants' report.

SPARTAN CONSTRUCTION SERVICES, INC.

STATEMENT OF STOCKHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2003

	<u>Common Stock</u>	<u>Retained Earnings (Deficit)</u>	<u>Contributed Capital</u>
Balance, January 1, 2003	\$ 1,000	\$ (34,296)	\$ 47,407
Net income, period ended December 31, 2003		22,528	
Balance, December 31, 2003	<u>\$ 1,000</u>	<u>\$ (11,768)</u>	<u>\$ 47,407</u>

See accompanying notes and accountants' report.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 22,528
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation and amortization	82,863
(Increase) decrease in:	
Accounts receivable - contracts and retainage	(11,569)
Costs and estimated earnings in excess of billings on uncompleted contracts	668
Cash, restricted	(50,589)
Prepaid expenses and deposits	630
Deferred tax asset	(5,613)
Increase (decrease) in:	
Bank overdraft	23,799
Accounts payable and retainage on jobs	(91,665)
Billings in excess of costs and estimated earnings on uncompleted contracts	(193,090)
Accrued expenses and income taxes payable	238,993
Deferred tax liability	5,613
NET CASH PROVIDED BY OPERATIONS	<u>22,568</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(1,082)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,082)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of long-term debt	<u>(48,590)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(48,590)</u>
NET CASH DECREASE DURING THE PERIOD	<u>(27,104)</u>
CASH, January 1, 2003	<u>27,104</u>
CASH, December 31, 2003	<u>\$ -</u>
INTEREST PAID	
Interest expense per general and administrative expenses	<u>\$ 31,646</u>
INCOME TAXES PAID	
	<u>\$ -</u>

See accompanying notes and accountants' report.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Activities and Operating Cycle

The Company is engaged as a general contractor in the El Paso, Texas, area. Most contracts are entered into as a contractor on commercial and industrial projects and the work is usually performed under a fixed price contract; most contracts are under one year in length.

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenue and Cost Recognition

Revenues from construction contracts are recognized on the percentage-of-completion method, measured by the percentage of cost incurred to date, excluding uninstalled materials, to estimated total cost for each contract.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents revenues recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of revenues recognized. Provision for estimated loss on uncompleted contracts is made in the period in which such loss is determined.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all instruments with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method, and market represents the lower of replacement cost or estimated net realizable value.

Property and Equipment

Property and equipment is stated at cost. Depreciation has been computed on the straight line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are recovered from the accounts and any resulting gain or loss is reflected in income for the period.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, and notes payable. The carrying amount of these financial instruments have been estimated by management to approximate fair value.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2003

NOTE 2 - CONTRACT RECEIVABLES

Contract receivables at December 31, 2003, consisted of the following:

Completed contracts	\$ 339,338
Contracts in progress	-
	<u>\$ 339,338</u>

The Company believes that its accounts receivable are fully collectible and as such has not recorded an allowance for bad debts. In the event that any receivables become uncollectible, they will be charged against income in the period in which that determination is made.

NOTE 3 - RETAINAGE

Retainage receivables at December 31, 2003, consisted of the following:

Completed contracts	\$ 23,982
Contracts in progress	3,774
	<u>\$ 27,756</u>

Contract retentions are amounts withheld from the Company until the related contract has been completed. All retentions are expected to be collected within one year of the first billing date of the contract.

NOTE 4 - COST AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Costs incurred on uncompleted contracts	\$ 22,630
Estimated earnings	13,802
	<u>36,432</u>
Less billings to date	<u>37,744</u>
	<u>\$ (1,312)</u>

Included in the accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts	\$ -
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>1,312</u>
	<u>\$ (1,312)</u>

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2003

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2003, consisted of the following:

	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Vehicles	\$ 14,630	\$ 6,714	\$ 7,916
Furniture and fixtures	13,561	5,981	7,580
Equipment	386,936	144,905	242,031
Equipment - other	30,000	-	30,000
	<u>\$ 445,127</u>	<u>\$ 157,600</u>	<u>\$ 287,527</u>

Depreciation expense for the year ended December 31, 2003 was \$82,863.

NOTE 6 - NOTES PAYABLE

Notes payable as of December 31, 2003 consisted of the following:

	<u>Current</u>	<u>Non-Current</u>
Revolving line of credit to State National Bank, interest rate of 4.75%, dated July 15, 2002, due April 15, 2003, interest payments only due monthly, collateralized by certificate of deposit	\$ 42,882	\$ -
Note payable to Southwest Mining, dated December 31, 2002, non-interest bearing, due on demand	6,776	-
Note payable to Kasco Ventures, Inc., dated December 31, 2003, non-interest bearing, due on demand	17,000	-
Note payable to Southwest Construction, dated December 31, 2003, non-interest bearing, due on demand	<u>33,240</u>	<u>-</u>
	<u>\$ 99,898</u>	<u>\$ -</u>

Maturities of notes payable are as follows:

Year Ended December 31, 2004	\$ 99,898
	<u>\$ 99,898</u>

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2003

NOTE 7 - LONG-TERM DEBT

At December 31, 2003, long-term debt consisted of the following:

	<u>CURRENT</u>	<u>LONG-TERM</u>	<u>TOTAL</u>
3% note payable to Caterpillar Finance dated December 27, 2001, due in monthly installments of \$1,350, including interest, collateralized by equipment	\$ 20,220	\$ -	\$ 20,220
13.29% note payable to Caterpillar Finance dated December 31, 2001, due in monthly installment of \$2,797, including interest, collateralized by equipment	29,525	58,657	88,182
19.19% note payable to Ribble Contracting, Inc. dated July 25, 2002, due in monthly installments of \$1,013 including interest, collateralized by equipment	17,943	-	17,943
7.31% note payable to Caterpillar Finance dated April 30, 2002, due in monthly installments of \$1,200, including interest, collateralized by equipment	15,009	24,641	39,650
7.31% note payable to Caterpillar Finance dated April 30, 2002, due in monthly installments of \$1,186, including interest, collateralized by equipment	14,832	24,351	39,183
6.20% note payable to Caterpillar Finance dated July 15, 2002, due in monthly installments of \$1,945, including interest, collateralized by equipment	27,017	13,341	40,358
	<u>\$ 124,546</u>	<u>\$ 120,990</u>	<u>\$ 245,536</u>

Maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	
2004	\$ 124,546
2005	66,646
2006	54,344
	<u>\$ 245,536</u>

NOTE 8 - LEASE OBLIGATIONS

The Company leases its premises on a month-to-month basis.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2003

NOTE 9 - INCOME TAXES

Income tax provision for the year consists of the following:

Current income tax provision	\$ -
Long-term income tax provision	-
	<u>\$ -</u>

Deferred income tax benefits may result from reinstatement of the valuation allowance of tax benefits related to prior year net operating loss. Because the loss was incurred in the initial year of operation, the income tax benefit that would have been recorded was reduced by a valuation allowance equal to the benefit.

Deferred income taxes result from timing differences in the recognition of income and expenses for income tax and financial statement purposes. The primary source of these differences is the reporting of depreciation for income tax purposes using an accelerated cost recovery system, and the use of the completed contract method for reporting income tax net income, while reporting financial statement income using the percentage-of-completion method.

Deferrals are established in the period in which a timing difference is first identified, and is multiplied by the estimated tax rate which will exist when the difference reverses. In future periods, when the estimated tax rate changes, the deferred asset or liability can be affected.

The Company has available at December 31, 2003, unused operating loss carryforwards and charitable contributions that may be applied against future taxable income that expires as follows:

<u>Expires</u>	<u>Charitable Contributions</u>	<u>Net Operating Loss</u>
2007	\$ 75	\$ -
2021	-	56,854
2022	-	172,535
	<u>\$ 75</u>	<u>\$ 229,389</u>

The deferred tax asset comprised the following at December 31, 2003:

Deferred tax asset

Net operating loss carryforward	\$ 34,408
Deferred tax liabilities - Long-term	(19,495)
Valuation allowance	(9,300)
	<u>\$ 5,613</u>

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2003

NOTE 10 - COMPREHENSIVE INCOME

Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (SFAS 130), requires that total comprehensive income be reported in the financial statements. For the period, the Company's operations did not give rise to items includable in comprehensive income which were not already included in net income. Therefore, the Company's comprehensive income is the same as its net income for the period presented.

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Company maintains multiple bank accounts at one financial institution which, from time to time, carry balances in excess of federally insured limits.

The Company has one major customer. Amounts recorded in accounts receivable for this customer represent 65% of total receivables.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Company.

NOTE 13 - ADVERTISING COSTS

The Company did not incur costs during the current period in connection with advertising.

NOTE 14 - RESTRICTED CASH

Restricted cash balances represent a certificate of deposit at financial institution that is collateral for a loan as described in note 6.

SUPPLEMENTARY INFORMATION

SPARTAN CONSTRUCTION SERVICE, INC.

SCHEDULE 1 - CONTRACT REVENUES

YEAR ENDED DECEMBER 31, 2003

	REVENUES EARNED	COST OF REVENUES	GROSS PROFIT
Contracts completed	\$ 2,455,224	\$ 1,928,386	\$ 526,838
Contracts in progress	36,432	22,630	13,802
Small jobs - net	67,554	-	67,554
Indirect cost	-	320,600	(320,600)
	<u>\$ 2,559,210</u>	<u>\$ 2,271,616</u>	<u>\$ 287,594</u>

See accountants' report.